THE ROLE OF ORGANISED RETAIL SECTOR IN INDIAN ECONOMY- A CASE STUDY OF BIHAR

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1.1 Introduction

Retail trade accounts for over 10% of the India's GDP and around 8% of the total employment. Retail sector is one of India's fastest growing sectors with a 5% compounded annual growth rate. India's huge middle class and its untapped retail industry are key attraction for global retail giants planning to enter newer market driven by changing lifestyle, strong income growth and favourable demographic patterns, Indian retail is expected to grow 25% annually.

The organised retail industry in India had not evolved till the early 1990s. Until then, the industry was dominated by the un-organised sector. It was a seller market, with a limited number of trained manpower, tax laws and government regulations, all discouraged the growth of organised retailing in India during that period. Lack of consumer awareness and restriction over entry of foreign player into the sector also contributed in delay in the growth of organised retailing. Foundation for organised retail in India was laid by Mr. Kishore Biyani of **Pantaloon Retail India Limited (PRIL)** following pantaloon's success venture a host of Indian business giants such as Reliance, Bharti, Birla and others are now entering into retail sector.

The retail sector in India accounts for over 10% of the country's GDP and around 8% of the workforce (35+ million). It is expected to create 25 million new jobs by 2030. Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. India is the world's fifth-largest global destination in the retail space. India ranked 73 in the United Nations Conference on Trade and Development's Business-to-Consumer (B2C) E-commerce Index 2019. India is the world's fifth-largest global destination in the retail space and ranked 63 in World Bank's Doing Business 2020. India is the world's fifth-largest global destination in the retail space. In FDI Confidence Index, India ranked 16 (after US, Canada, Germany, United Kingdom, China, Japan, France, Australia, Switzerland, and Italy).

As per Kearney Research, India's retail industry is projected to grow at a pace of 9% over 2019-2030, from US$ 779 billion in 2019 to US$ 1,407 billion by 2026 and more than US$ 1.8 trillion by 2030.

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Revenue of India's offline retailers, also known as brick and mortar (B&M) retailers, is expected to increase by Rs. 10,000-12,000 crore (US$ 1.39-2.77 billion) in FY20. India's direct selling industry would be valued at US$ 2.14 billion by the end of 2021.

According to the Retailers Association of India (RAI), the retail industry achieved 93% of pre-COVID sales in February 2021; consumer durables and quick service restaurants (QSR) increased by 15% and 18% respectively. As of 2021, there were 1.2 million daily e-commerce transactions. Online shoppers in India are expected to reach ~500 million in 2030 from +150 million in 2020. The E-Commerce market is expected to touch US$ 350 billion in GMV by 2030.

The Indian retail industry is divided into organised and unorganised sectors. The Indian retail sector is highly fragmented, with a major share of its business is being run by unorganised retailers like the traditional family run stores and corner stores. The organised retail however is at a very nascent stage, though attempts are being made to increase its proportion bringing in a huge opportunity for prospective new players.

The first category retailers comprise traders who possess legal permissions or licenses to undertake the activity, are registered with sales tax/GST etc. Such enterprises are supermarkets, hypermarkets, retail chains, and also the privately-owned large retail businesses. Their presence on scene, though of a recent origin, is gradually gaining in importance, and slowly eating into the business of second category of retailers.

Indian retail is dominated by a large number of small retailers consisting of the local kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, paan and beedi (local betel leaf and tobacco) shops, hand-cart hawkers, pavement vendors, etc. which together make up the so-called "unorganised retail" or traditional retail. The last few years have witnessed the entry of a number of organised retailers opening stores in various modern formats in metros and other important cities. Unorganised retailers normally do not pay taxes and most of them are not even registered for sales tax, GST, or Income Tax.

Organised Retail Sector

An important aspect of the current economic scenario in India is the emergence of organised retail. There has been considerable growth in organised retailing business in recent years and it is poised for much faster growth in the future. Major industrial houses have entered this area and have announced very ambitious future expansion plans. Transnational corporations are also seeking to come to India and set up retail chains in collaboration with big Indian companies. However, opinions are divided on the impact of the growth of organised retail in the country. Concerns have been raised that the growth of organised

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retailing may have an adverse impact on retailers in the unorganised sector. It has also been argued that growth of organised retailing will yield efficiencies in the supply chain, enabling better access to markets to producers (including farmers and small producers) and enabling higher prices, on the one hand and, lower prices to consumers, on the other. In the context of divergent views on the impact of organised retail, it is essential that an in-depth analytical study on the possible effects of organised retailing in India be conducted. In the developed economies, organised retail is in the range of 75-80 per cent of total retail, whereas in developing economies, the unorganised sector dominates the retail business. Modern retail formats, such as hypermarkets, superstores, supermarkets, discount and convenience stores are widely present in the developed world, whereas such forms of retail outlets have only just begun to spread to developing countries in recent years. In developing countries, the retailing business continues to be dominated by family-run neighbourhood shops and open markets. Therefore, wholesalers and distributors who carry products from industrial suppliers and agricultural producers to the independent family-owned shops and open markets remain a critical part of the supply chain in these countries.

Organised retail sector refers to the sectors undertaken by licensed retailers, that is, those who are registered for GST, income tax, etc. These include the corporate retail formats of the exclusive brand outlets, hypermarkets, supermarkets, departmental stores and shopping malls.

Growth of Organised Retail Sector

An increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The Retail Business in India is currently at the point of inflection. Rapid change with investments to the tune of US $ 26 billion is being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to management consulting firm Techno Park Advisors Pvt. Ltd., it is valued at about US $ 350 billion. Organised retail is expected to garner about 16-18 percent of the total retail market (US $ 65-75 billion) in the next 5 years.

According to the 8th annual Global Retail Development Index (GRDI) of A.T. Kearney, Indian retail industry is the most promising emerging market for investment. The enormous growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace. With over 1,000 hypermarkets and 3,000 supermarkets projected to come up by 2025, India will need additional retail space of 700,000,000 sq. ft. (65,000,000 m^2) as compared to previous year. India has been ranked as

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the third most attractive nation for retail investment among 30 emerging markets by the US-based global management consulting firm, A.T. Kearney in its 9th annual Global Retail Development Index (GRDI) 2012. Foreign direct investment (FDI) inflows between April 2000 and October 2012, in single-brand retail trading, stood at US$ 197.04 million, accordingly to the Department of Industrial Policy and Promotion (DIPP).

Organised Retail Sector in Bihar

Bihar- An Introduction

Bihar is located in the eastern part of India. The state is surrounded by Nepal in the north, West Bengal in the east, Uttar Pradesh in the west, and Jharkhand in the south. The state enjoys a unique location-specific advantage because of its proximity to the vast markets of eastern and northern India, access to ports such as Kolkata and Haldia, and to raw material sources and mineral reserves from the neighbouring states.

In 2023-24, Bihar's GSDP at current prices is projected to be Rs. 8.59 trillion (US$ 104.62 billion). The state's GSDP expanded at a CAGR (in Rs.) of 11.03% between 2015-16 and 2023-24.

Bihar has witnessed strong growth in per capita net state domestic product. At current prices, the per capita NSDP of the state grew at a CAGR of 8.45% (in Rs.) between 2015-16 and 2021-22.

Bihar is one of the strongest agricultural states in the country. The percentage of the population employed in agricultural production in Bihar is around 80%, which is much higher than the national average. It is the fourth-largest producer of vegetables and the eighth-largest producer of fruits in India. Food processing, dairy, sugar, manufacturing, and healthcare are some of the fastest-growing industries in the state. The state has planned initiatives for the development of other sectors such as education and tourism and provides incentives for information technology and renewable energy projects.

The state has a large base of cost-effective industrial labour, making it an ideal destination for a wide range of industries. According to the Department for Promotion of Industry and Internal Trade (DPIIT), cumulative FDI inflows in Bihar were valued at US$ 214.50 million between October 2019-June 2023.Total merchandise exports from the state stood at US$ 2,308.60 million in 2021-22, and US$ 1,258.97 in 2022-23 (till August 2022).

The retail sector in Bihar has seen a significant transformation in recent years. The opening of some organised retail stores like Vishal Megamart, Reliance Fresh, Smart Bazaar, Smart Point, Pantaloons, V Bazaar, City Kart etc., are all set to change the taste, pattern, and buying

behaviour of the consumers . According to the India Brand Equity Foundation (IBEF), Bihar has been witnessing a growth in the industrial sector, with the state government taking several initiatives to promote industrial development . The retail industry in India has a 12% share of the total retail market and has a growth rate of 10% over 2021-2032. The increasing demand for organised retail space has helped create a capacity of 120 million square feet (MSF) in retail space across major Indian cities.

The rapid growth of Organised retailing in Bihar is the outcome of socio-economic factors. India is standing on the threshold of retail revolution. Retail Industry, one of the fastest changing and vibrant industries has contributed to the economic growth of our country. Within a very sport span of time, retail industry has become the most attractive, emerging retail market in the world. Healthy economic growth, changing demographic profile, increasing disposable incomes, changing consumer tastes and preferences are some of the key factors that are driving growth in the organised retail market in Bihar. In Bihar the number of middle-class consumers is growing rapidly. With rising consumer demand and greater disposable income has given opportunity of retail industry to grow and prosper. They expect quality products at decent prices. Modern retailers offer a wide range of products and value-added services to the customers. Hence this has resulted into growth of organised retailing in Bihar. Growing consumerism would be a key driver for organised retail in Bihar. Rising incomes and improvements in infrastructure are enlarging consumer markets and accelerating the convergence (meeting) of consumer tastes.

1.2 Review of Literature:

Several attempts have been made from time to time by different researchers to study and evaluate Retail sector in different points of view. No direct research or study on this topic has ever been undertaken. Several books have also been published on the Retail Management but the present subject is still untouched. This fact is proved by the survey work under taken on this field of research.

Parasraman M.G. (2003) In 'Understanding Shoppers: Building powerful brands using shopper research', Tata McGraw-Hill. author has categorized shoppers in two typologies: Hindi medium type and English medium type, where the former were more traditional and looked up to the latter for innovating cultural leads. The study indicated that male shoppers belonged to the following segments: traditional, pleasure seeker, social chameleon, and

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intrinsic progressive man. Women shoppers were contented conservative housewives, the role bound archetypal provider, the anxious working woman rebel

Newman Andrew, Peter Cullen (2006) The Book on 'Retailing: Environment and Operations', by Thompson Publication explains retailing as set of activities that markets products or services to final consumers for their own personal or household use. It does this by organizing their availability on relatively large scale and supplying them to consumers on relatively small scale. According to authors, the responsive retailer recognizes the importance of additional services for the customer.

Jain J.N., Singh P.P. (2007) Authors in their book on 'Modern Retail Management' by Deep & Deep Publication Pvt. Ltd., have given detail classification of various retailers as well as competitive analysis. Book also throws light on Retail locations; Store planning, Design and Layout of retail stores. Product and Merchandise Management is discussed while giving idea about branding strategies and private label brands. Dimensions and determinants of retail consumer buying behaviour is elaborated in detail.

Nair Suja (2008) 'Retail Management' published by Himalaya Publishing House book gives all basics of Retailing Management. Detail overview of Retailing in India gives deep insight. Book is rich with many cases and examples with ample exhibits. Theoretical aspects of retailing like strategic retail planning process and retail merchandising help to understand the retail process. Author also suggests GAPS MODEL to improve retail service quality.

Singh Swati (2010) 'The Rise of Non-Metros- New Retail Frontiers' in this article researcher discusses the changes taking place in Tier II and III cities and also the factors that have facilitated transformation. As markets in metros face saturation, organised retailing is moving to non-metros to make the most of changing behavioural patterns brought about the increased earnings, western influences, increased number of working women and desire for luxury items. Consumers in small cities want to eat shop and get entertained under the same roof like their counterparts in metros.

Shahid Akhter and Iftekhar Equbal (2012) in their paper made an attempt to investigate the trends and opportunities and various strategies in retailing; to study the growth of retail sector in India; to study the major and emerging formats of retailing; and to study the recent

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trends, challenges and opportunities Indian retail industry. The paper highlights detailed information about the growth of retailing industry in India and analyses the brand consciousness and growing awareness among people of different socio-economic classes and how the urban and semi-urban retail markets are witnessing significant growth. This paper points out the challenges faced by the industry in near future and `the impact of the entry of global players into the Indian retail industry.

Sikri and Wadhwa (2012) revealed that Indian retail industry was the fifth largest in the world. Indian retail industry consists of both unorganized as well as organized retail sectors. Indian retail industry had witnessed promising results from organized retail sector in the last decade. Changing shopping behaviour of Indian consumers were making way for the organized retail to prosper in this economy. According to economists, Indian retail sector will grow, from US$330 billion in 2007 to US$640 billion by 2015. The retail spending by Indian consumers had been projected to double in the upcoming years.

Meenakshi Choudhary (2013) conducted to study the growth of the retail sector in India with special study on the recently commissioned mall at Tier II city, Bhopal; to know the behaviour of customers on mall culture of Bhopal; to know the consumers sensitivity on the kind of shopping; to find out the adaptability of mall culture in our Tier II city; and to investigate the consumer behaviour in the city of Bhopal. The findings of the study tell that when customers' expectations are greater than their perceptions of the delivered service, they are dissatisfied about the retailers service and feel the quality of the retailers service is poor.

Kiran Namdev Derle and Dr. Avinash Ganbote (2017) mention in his research paper, "analysis of employment conditions in retail industry in India - organized and un-organized sector" The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India Retail Industry is the largest among all the industries, accounting for over 10 percent of the country's GDP and around 8 percent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. The India Retail Industry is

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gradually inching its way towards becoming the next boom industry.

R.Chandrakala and Dr.M.Sudhahar (2016) mention in research paper " A theoretical study on recent trends and challenges faced by the organised retail sector in India" that the employment opportunities increases in India due to Emerging rural market, Entry of corporate sector, Entry of foreign retailers etc. but besides these factors, retailers have started concentrating on recruiting qualified and trained retail staff. Retailing, as is at a nascent stage in our country. If we carefully consider the overall retailing scenario in India, it can be safely stated that organised retailing in India has miles to go before it can catch up with its western counterparts. In short, organised retailing in India has arrived but it has to develop in a big way so as to really make a mark in this country.

Gunjan (2015) mentions in the research work "Organised Retail Marketing its Problems and Prospects in Bihar with Special Reference to Muzaffarpur District" that a loyalty programme must be highly visible regardless of channel and simple to use in all channels. The loyalty programme should generate trust amongst the customers. Communication with the loyal customers plays an important role at every stage from engagement to maintenance. Many communication channels available today facilitate healthy growth of Organised Retailing in Bihar.

1.3 Statement of the Research Problem

The above reviews show that most of the studies on retail industry have been carried out in developed, developing and least developed nations. These studies have not covered the entire practices of the organised retailing. Selection of limited samples and lack of studying the relationship between demographic variables of the customers towards organised retailing are the limitations of these studies. No study has been undertaken so far to the perception of customers towards organised retailing taking into aspects such as motivating factors to prefer organised retailers, satisfaction of the consumers towards organised retailing, perception of the consumers towards the operations of the organized retailers and impact of organised retailing on consumers and small traders in a particular region of Bihar. Hence, a careful study is essential in this regard. With this background, the present study is an attempt to fill in the research gap in these areas. The study will include the following:

1. To what extent Organised Retail Trade has played a role in Indian Economy.

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2. To what extent Organised Retail Trade has contributed towards the economy of Bihar.
3. What are the most popular formats of Organised retail trade in India and Bihar and what are the key areas of improvement in Organised retailing in India and Bihar ?

1.4 Objectives of the study

The main objectives of the study are:

1. To study about the present status of Organised Retail Trade in India.
2. To study about the Role of Organised Retail Trade in India with special reference to Bihar.
3. To study the prominent problems faced by Organised Retail Sector in India.
4. To study the level of satisfaction of consumers of Bihar regarding Organised Retail Trade in Bihar.

1.5 Importance of the Study

Retail Sector in India is witnessing a paradigm shift in the present decade. With ease in making payment through digital currency, ease in availing EMI facilities and with the advent of internet penetration, Organised Retailing is prospering rapidly. This research work is an attempt to find out the weaknesses in the existing system and to suggest remedies to plug in those weaknesses. The main significances of this research are given below:

- Research on Organised Retail Sector will help us to study the key problems being faced by the retailers which in turn is affecting their revenue generation
- This research work will help us to understand the strengths and weaknesses of Supply Chain Management associated with organised retailing in Bihar.
- Research on Organised retail sector will help us to understand the prospects of Organised Retailing in India and Bihar.
- Research study shall enable us to study the existing marketing support system for the organized retailers and help us to measure their effectiveness, and also help us to identify the areas of further policy reforms for strengthening the retail sector.
- Research will enable us to map the gap between demand and supply of products in Bihar and also to highlight the role of organised retail sector in bridging this gap.
- Research will help us to explore the future possibility of growth of retail sector by analysing the consumers demand and the latest trends.
- Research will also help the understand the significance of organised retail in Indian economy.

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1.6 Hypotheses:

The following hypotheses have been formulated for carrying out the present research work:
Hypothesis 1- Organised Retail Trade contributes positively towards Indian Economy.
Hypothesis 2- Bihar has immense potential for the growth of Organised Retail Trade

1.7 Research Methodology

The required data relevant to the study will be collected from both primary and secondary sources in order to understand the multi-dimensional aspects.

Secondary data will be collected through Magazines & periodicals, Newspapers, Books and Annual Reports of Banks and other agencies.

For Primary data Sample size of 400 respondents from retailers and consumers will be selected. The data will be collected through structured **schedule of questions** and is to be analysed with statistical indices based on **Likert methodology**.Data collected from different sources will be tabulated and classified chapter-wise so as to make the study systematic and scientific. Different tables will be prepared for the purpose to concentrate on each and every aspect of the study. After tabulation of the data, an analysis will be made using different statistical tools like **ratio analysis, mean or average** etc. so that the factual position of the related aspects might be found out and the reliable conclusion might be drawn. **Z-Test** will be applied for the testing of Hypotheses. At the time of analysing the data, various statistical and mathematical tools, such as **percentage, averages, proportion, growth rate, index numbers, trend values** etc. will be used frequently.

1.8 Limitations of the study

The study will have following limitations:

- Since collection of data from entire population of Bihar is not practically feasible, a sample size of 400 will be taken for the research work.
- A period of six years has been taken for the research work so as to decipher the role of Organised Retail Trade in Indian economy with the help of latest Primary and Secondary data.
- Limited number of Organised Retail Stores will be selected for the study.
- The opinion of respondents can be biased which cannot be ruled out.

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1.9 Plan of the study

The present study will be arranged and divided in following chapters:

Chapter-I: Introduction

This chapter will cover concept of organised and unorganised retail sectors, the evolution of organise retailing in India during early 1980s,1990s, 2000 and post covid era. The prominent features of organised retail sector in India, advantages of organised retail over unorganised retailing, theories of Retailing including environmental theory, cyclic theory, conflict theory, the role of information technology in organised retail sector in India. An overview of various forms of organised Retailing in India, the mechanism of supply chain management with regards to organised retailing in India etc.

Chapter-II: Organised Retail sector in India: A Conceptual Issues

This chapter will cover challenges before organised retail sector, augmented reality and virtual reality in the field of organised retailing, government initiatives, FDI in retail sector, budgetary provisions, impact of GST, Supply chain management, factors responsible for success of organised retailing in India etc.

Chapter-III: Prospects of Organised Retail sector in Bihar

This chapter will cover growth of organised retailing in Bihar, Analysis of feedback given by customers, policies of government of Bihar with regards to organised retail sector, prominent companies operating in organised retail sector in Bihar, Use of Digital technology with regards to customer interfacing system, ERP system, Customer Relationship Management, recent trends of organised retail sector in Bihar etc.

Chapter-IV: Role of Organised Retail Sector in Indian Economy – A Case Study of Bihar

This chapter will cover contribution of organised retail sector in Indian economy, contribution towards GDP, employment generation in organised retail sector, growth rate of organised retail sector, contribution of organised retail sector towards growth of other sectors of Indian economy, comparison of market share of organised retail sector and unorganised retail sector of Indian economy. SWOC analysis of organised retail sector in India, market size and market capitalisation of organised retail in India over past six years.

Chapter-V: Problems, Challenges and Opportunities of Retail Sector in Bihar

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This chapter will cover problems, Challenges and Opportunities of Retail Sector in Bihar. The study in which conclusion will be drawn on the basis of findings and there after suggestions will be put forth for making this study more productive.

Chapter-VI: A Summary of Findings and Suggestions.

This chapter will cover a summary of findings and suggestions which will be drawn on the basis of findings and there after suggestions will be put forth for making the study more productive.

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